

City Treasurer/Comptroller “Looks After Every Tax Dollar as if It were Her Own”

Written by Nick Sanders
Tuesday, 08 May 2012 00:00

Rita Crundwell was the longtime Treasurer and Comptroller for the city of Dixon, Illinois. Until recently, Dixon was notable for being the boyhood home of President Ronald Reagan. Now it is notable for being the scene of a humongous embezzlement scheme allegedly masterminded by Ms. Crundwell.

On April 19, 2012, the accounting-oriented website, Going Concern, [reported](#) that “Prosecutors allege that [the embezzlement scheme] went for the last six years and that [Crundwell made off](#) with \$30,236,503 (and 51¢).” The Going Concern story quoted a Chicago Tribune article, which stated—

Bank records obtained by the FBI allegedly show Crundwell illegally withdrew \$30,236,503 from Dixon accounts since July 2006, money she used, among other things, to buy a 2009 Liberty Coach Motor home for \$2.1 million; a tractor truck for \$147,000; a horse trailer for \$260,000; and \$2.5 million in credit card payments for items that included \$340,000 in jewelry.

Going Concern’s comment:

So a decent haul, but a *Ford Thunderbird*? Good Christ, spring a bit for the Lincoln Continental at least. Questionable taste in automobiles aside, one can't help but wonder how Dixon - a city with a population of just ~15,000 - could not notice millions of dollars missing. But they did! It's strange because in a city of that size, people gossip about one another's \$35 overdraft fees, never mind millions of dollars being spent on multi-million dollar motorhomes.

According to Going Concern and the Chicago Tribune, Crundwell’s (alleged) scheme came to light when she took 12 weeks of unpaid vacation. Another employee noticed activity in a bank account that nobody knew even existed, and brought the issue to the attention of the City Mayor. Things kind of snowballed from there.

A follow-up Going Concern [story](#) reported that Crundwell had resigned from her position after being put on administrative leave without pay; yet even after that event Dixon City Commissioners “still voted to terminate Crundwell for falsifying city records, misconduct, criminal conduct and misappropriation of city funds.”

Ouch.

Written by Nick Sanders
Tuesday, 08 May 2012 00:00

We like Going Concern’s view of these events—

... these allegations came as a surprise to the sleepy Illinois town because usually everyone knows everyone's business in a small town (legal, illegal, and otherwise) and you'd think that a town on a budget of approximately \$8 million would, *ya know*, miss [\$30 Million].

A week after Ms. Crundwell was terminated for (among other things) “misappropriation of city funds,” Going Concern [was back](#) with another piece of the evolving story, based on details found in Crundwell’s [indictment](#). Going Concern reported that Crundwell’s (alleged) embezzlement may have been larger than first thought: prosecutors alleged that she purloined \$53 million, and that the scheme had been in operation since 1990. Going Concern stated—

... Crundwell [started] the scheme in December of 1990 and was ‘[creating] fictitious invoices purported to be from the State of the Illinois to show the auditors for the City of Dixon that the funds that defendant was fraudulently depositing into the [bank] account were being used for a legitimate purpose.’ When she was away, she had a relative pick up all the mail for the City of Dixon, thus allowing her to keep the account set up for her fraudulent deposits secret.

How did Crundwell (allegedly) pull-off a scheme that took \$53 million of city funds over a period of 22 years? According to this [Chicago Tribune](#) story, she was (allegedly) able to get away with it because of a “perfect storm” of “abysmally weak” financial controls in the city of Dixon. The Trib reported—

The local bank didn't alert the mayor about a city bank account listed in the care of Crundwell, according to federal charges.

An annual audit didn't send up red flags about the alleged transfers of hundreds of thousands of dollars at a time into and out of the account.

City officials didn't monitor the books closely enough to notice that huge amounts of tax dollars were disappearing, according to the charges.

Crundwell, a longtime, trusted employee, had a virtual stranglehold over city finances.

And those who knew Crundwell shrugged off her lavish personal lifestyle despite her comparatively modest \$80,000-a-year city post, figuring her wealth came from her champion quarter horse breeding farms in Dixon and Beloit, Wis.

The Trib also printed comments about the efficacy of the city’s annual audit. It reported—

City Treasurer/Comptroller “Looks After Every Tax Dollar as if It were Her Own”

Written by Nick Sanders
Tuesday, 08 May 2012 00:00

Crundwell is accused of funneling money from a handful of accounts into the city's Capital Development Fund account, which finances major capital improvements. Authorities said she then moved the money into an account that bore both the city's name and ‘R.S.C.D.A. c/o Rita Crundwell.’ It was from this account that the FBI alleges Crundwell spent more than \$30 million in city money over the last six years on her horse business, a luxury motor home and horse trailer, jewelry, and credit card payments.

Sinason said the auditor might have spotted the large transactions but accepted Crundwell's explanations for them. But auditors are supposed to look more in depth at suspicious items. ‘Their answer is not enough. ...You have to have other evidence,’ he said.

Czurylo, who now does forensic accounting in the private sector, said the huge transfers should have been ‘the red flag of all time.’

‘It sounds like somebody was asleep at the wheel,’ he said. ‘This should have been caught immediately.’

Maybe. But remember our [articles](#) about Sue Sachdeva and her embezzlement of \$30 million at Koss. In her case, Sue had a 30 year-old antiquated accounting system, inadequate account reconciliations, inadequate controls over wire transfers, and a confederate, to assist her. Apparently, Rita was able to (allegedly) run a solo act. But one thing both ladies have in common is that they were long-time, trusted, executives of their organizations.

Maybe one way to combat insider fraud might be to shake things up every so often. Maybe rotate executives; give them some new responsibilities every so often. Who knows—it might strengthen the executive team. Or it may uncover corruption from a very unexpected source.